

THE WALL STREET JOURNAL.

Surdna Foundation Launches \$100 Million Impact Investing Drive

By Dawn Lim

March 28, 2017

The Surdna Foundation, a century-old private family foundation that aims to promote social justice, is putting its money where its mouth is.

The New York institution has set aside \$100 million of its \$960 million foundation pool for investments that can generate social good as well as market returns. Surdna's push comes as more deep-pocketed charitable organizations are using investment dollars to advance civic-minded goals such as creating jobs and tackling climate change.

Their big checks could prompt private-equity funds to think harder about dealing with social problems such as poverty and pollution—or at the very least, account for their risks to investors.

Surdna expects to allocate 20% to 30% of its impact pool to private investments and 70% to 80% to public markets, a mix that roughly mirrors the rest of the foundation's portfolio.

SURDNA FOUNDATION

Assets

Established by industrialist John Andrus in 1917, the foundation had \$960 million in assets as of Dec. 31.

Impact Investing

The foundation set aside \$100 million for impact investing. About 20% to 30% of that pool will go to private markets.

Key Person

Shuaib Siddiqui serves as its director of impact investing.

It plans to make one to three investments out of the pool each year to private-equity funds with an impact focus. Surdna will look at newer managers, renewable energy and emerging markets, targeting investments of \$1 million to \$5 million.

Shuaib Siddiqui, formerly director of global portfolio at venture fund Acumen, will drive the effort as the foundation's new director of impact investing. Surdna will build out the impact pool over the next three to four years.

The foundation started to discuss the possibility of the pool in 2014. It reached out to peers with impact programs, such as the McKnight Foundation and the Heron Foundation, to learn from their experiences. Surdna also tasked philanthropic consultant Giving Practice and wealth adviser Veris Wealth Partners LLC to guide a review, and its investment consultant Cambridge Associates was

involved along the way. “We had to prove to ourselves we could do this without risking our ability to service the communities we focus on over the long term,” said Surdna President Phillip Henderson.

A recent commitment to a fund managed by venture firm DBL Partners gave Surdna confidence that funds aligned with its values did exist. The board carved out the \$100 million to impact investing in 2015.

Surdna’s new pool will be a test case for the value proposition of socially responsible investing. It will study if the strategy outperforms its peers and market benchmarks. “If we can generate returns and manage risk efficiently, we can move more capital into the impact portfolio,” said Mr. Siddiqui.

It will test the foundation’s ability to measure how far dollars will go to addressing social problems. The young impact investment space lacks clear standards for measuring social good, but Surdna will tap into its experience evaluating the success of its grants and a separate program-related investment effort it launched in 2013.

That initiative prioritized the social and community benefits of investments such as by providing loans to Hispanic-owned businesses and backing programs to repair homes damaged by Hurricane Sandy. The program’s \$18 million portfolio of six deals will be rolled into the new impact pool.

As it builds out that portfolio, Surdna will have to confront other uncertainties. Renewable energy investments it plans to look at will be vulnerable if governments cut incentives to the industry. The foundation will pay close attention to how future managers navigate untested markets in emerging economies.

“You are looking at the team and their ability to understand the market they are operating in and their customers,” said Mr. Siddiqui. “This can be challenging in emerging markets because so many products and services are new.”

Before he joined Surdna in 2016, the 39-year-old played a key role at Acumen, steering seed money to M-Kopa, a Kenyan company that distributes and finances solar systems, as well as d.light design Inc., a supplier of solar products to homes and businesses that lack reliable electricity sources.

“We don’t want to be reckless in how we invest,” said Mr. Siddiqui. “We have to be intellectually honest about what success looks like and ultimately invest in a manner that is true to our values.”